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October 8, 2009

VIA HAND

Honorable Anne K. Quinlan
Acting Secretary
Surface Transportation Board
395 E Street, S.W.
Washington, DC 20423-001

ENTERED
Office of Proceedings
OCT 8 - 2009
Part of
Public Record

RE: STB Finance Docket No. 35308, Piedmont & Atlantic Railroad Co., Inc. d/b/a
Yadkin Valley Railroad Company --Acquisition and Operation Exemption--
Norfolk Southern Railway Company

Dear Secretary Williams:

Enclosed for filing in the above-referenced proceeding are an original and 10 copies of the Verified Notice of Exemption of Piedmont & Atlantic Railroad Co., Inc. pursuant to 49 C.F.R. § 1150.41. Also enclosed is a check in the amount of \$1,800 to cover the cost of the filing.

Please acknowledge receipt of this letter by date-stamping the enclosed acknowledgment copy and returning it to our messenger.

Very truly yours,

Rose-Michele Nardi

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Enclosures

**PIEDMONT & ATLANTIC RAILROAD CO., INC.,
D/B/A YADKIN VALLEY RAILROAD COMPANY
--ACQUISITION AND OPERATION EXEMPTION--
NORFOLK SOUTHERN RAILWAY COMPANY**

**VERIFIED NOTICE OF EXEMPTION
PURSUANT TO 49 C.F.R. § 1150.41**

STB FINANCE DOCKET NO. 35308



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Applicant's name and current mailing address:

Piedmont & Atlantic Railroad Co., Inc.,
d/b/a Yadkin Valley Railroad Company
422 West Cumberland Avenue
Knoxville, TN 37902
Tel (865) 525-9400

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Applicant's representative to receive correspondence:

Rose-Michele Nardi, Esq.
Weiner Brodsky Sidman Kider PC
1300 19th Street, NW, Fifth Floor
Washington, D.C. 20036-1609
(202) 628-2000

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Information concerning the agreement:

Piedmont & Atlantic Railroad Co., Inc., d/b/a Yadkin Valley Railroad Company ("YVRR"), a class III rail carrier, has exercised its option to purchase certain rail lines in North Carolina owned by Norfolk Southern Railway Company ("NS"). YVRR hopes to reach an agreement with NS on the sale of those rail lines in the near future. YVRR previously received regulatory authority to lease and operate over the same rail property that is the subject of this Verified Notice of Exemption. *See Finance Docket No. 32462, Piedmont & Atlantic Railroad Co., Inc. - Lease and Operation Exemption - L&S Holding Company d/b/a Laurinburg & Southern Railroad Co. and Yadkin Valley Railroad Company ("Lease Decision").*¹

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¹ In a related decision, H. Peter and Linda C. Claussen obtained authority to continue in control of Piedmont & Atlantic Railroad Co., Inc., upon it becoming a class III rail carrier. *See Finance Docket No. 32464, H. Peter and Linda C. Claussen - Continuance in Control Exemption - Piedmont & Atlantic Railroad Co., Inc.*, served March 29, 1994.

Operator of the property:

YVRR will conduct rail freight operations over the subject lines.

Brief summary of the proposed transaction:

NS is headquartered at Three Commercial Place, Norfolk, Virginia 23510. Pursuant to the exercise of its option to purchase, YVRR intends to acquire NS's interest in the following rail lines, which total approximately 93 route miles: (1) approximately from milepost K-37.0 at Rural Hall, Forsyth County, NC to milepost K-100.2 at North Wilkesboro, Wilkes County, NC, and (2) approximately from milepost CF-0.0 at Mount Airy, Surry County, NC to milepost CF-29.8 at Rural Hall, Forsyth County, NC.²

Map:

Maps of the subject lines are attached hereto as Exhibit A.

Consummation of Purchase Agreement/Labor Notice Requirements:

On October 8, 2009, contemporaneously with this Verified Notice of Exemption, YVRR is filing with the Surface Transportation Board (the "Board") a Petition for Waiver from the labor notice requirements at 49 C.F.R. § 1150.42(e). YVRR will consummate the sale of the subject lines on or after November 7, 2009, but shall in no event consummate the sale before the Board either (i) grants YVRR's Petition for Waiver, or (ii) YVRR satisfies the applicable labor notice requirements.

Environmental Issues

Environmental documentation normally need not be prepared for an acquisition that does not cause diversions from rail to motor carriage greater than (A) 1,000 rail carloads a year, or (B) an average of 50 rail carloads per mile per year for any part of the affected line (49 C.F.R. § 1105.7(e)(4)), on the one hand, and that does not result in (1) an increase in rail traffic of at least 100 percent (measured in gross ton miles annually) or an increase of at least eight trains a day on any segment of rail line affected by the proposal, (2) an increase in rail yard activity of at least 100 percent (measured by carload activity), or (3) an average increase in truck traffic of more than 10 percent of the average daily traffic or 50 vehicles a day on any affected road segment (49 C.F.R. § 1105.7(e)(5)), on the other hand. *See* 49 C.F.R. § 1105.6(c)(2).

² In the Lease Decision, YVRR also received authority to lease and operate the rail line approximately between milepost CF-29.8 at Rural Hall, NC and milepost CF-38.5 near Brooks Cove, NC. Subsequently, YVRR and NS filed a notice of exemption to discontinue and abandon, respectively, this segment of rail line. *See* Docket Nos. AB-464X and AB-290 (Sub-No. 174X), *Piedmont and Atlantic Railroad Co., Inc., d/b/a Yadkin Valley Railroad Company – Discontinuance of Service Exemption – In Forsyth and Stokes Counties and the City of Rural Hall, NC; Norfolk Southern Railway Company – Abandonment Exemption – In Forsyth and Stokes Counties and the City of Rural Hall, NC*, served Feb. 9, 1996.

The subject transaction will not cause changes in carrier operations that exceed the above-listed thresholds. Therefore, no environmental documentation is required for this Verified Notice of Exemption.

Transactions involving a sale, lease or transfer of a rail line for the purpose of continued rail operations are exempt from the historic report requirements of 49 C.F.R. § 1105.8(a) if abandonment of such operations requires further approval by the Board and there are no plans to dispose of or alter properties subject to the Board's jurisdiction that are 50 years old or older. *See* 49 C.F.R. § 1105.8(b)(1).

Common carrier freight service over the subject lines would continue, and the abandonment of rail operations over the subject lines would require prior approval or an exemption. YVRR does not have any plans to dispose of or alter properties subject to Board jurisdiction that are 50 or more years old. Therefore, a historic report is not required for this filing.

Certificate of projected revenue:

In accordance with 49 C.F.R. § 1150.43(g), a certificate concerning YVRR's projected revenue is attached as Exhibit B.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Rose-Michele Nardi".

Rose-Michele Nardi
Weiner Brodsky Sidman Kider PC
1300 19th Street, NW, Fifth Floor
Washington, DC 20036-1609

Attorneys for:

Piedmont & Atlantic Railroad Co., Inc.,
d/b/a Yadkin Valley Railroad Company

Dated: October 8, 2009

**VERIFIED NOTICE OF EXEMPTION
PURSUANT TO 49 C.F.R. § 1150.41**

STB Finance Docket No. 35308

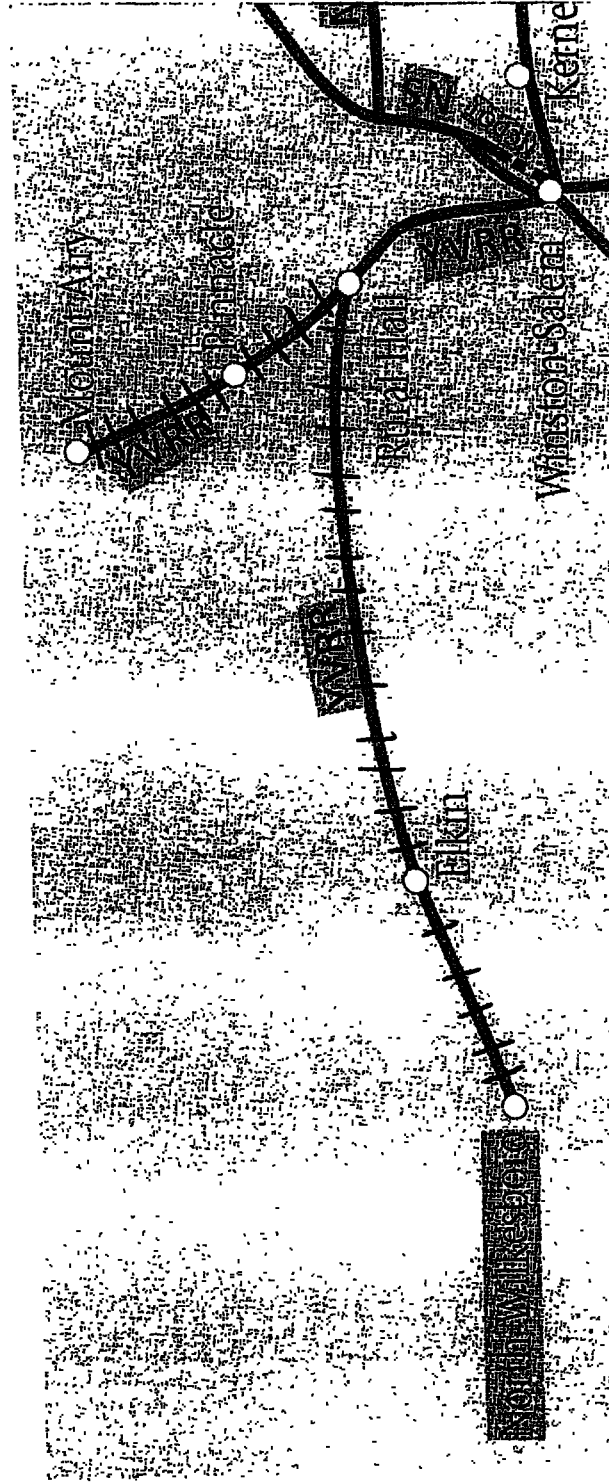
**PIEDMONT & ATLANTIC RAILROAD CO., INC.,
D/B/A YADKIN VALLEY RAILROAD COMPANY
--ACQUISITION AND OPERATION EXEMPTION--
NORFOLK SOUTHERN RAILWAY COMPANY**

EXHIBIT A

MAPS

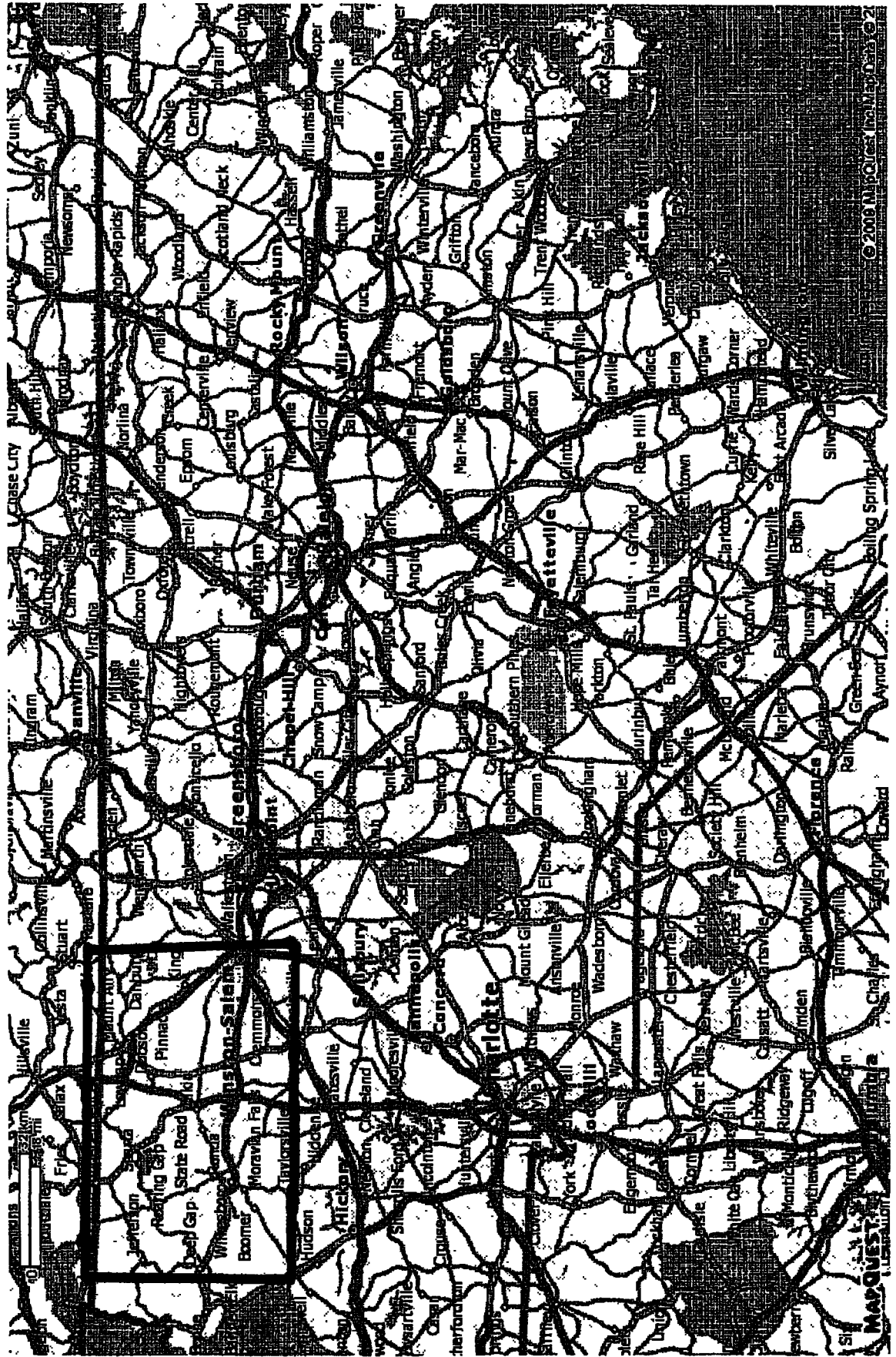
OPERATIONAL MAP OF THE PIEDMONT AND ATLANTIC RAILROAD, dba THE YADKIN VALLEY RAILROAD

North Carolina



----- Subject Lines

North Carolina



**VERIFIED NOTICE OF EXEMPTION
PURSUANT TO 49 C.F.R. § 1150.41**

STB Finance Docket No. 35308

**PIEDMONT & ATLANTIC RAILROAD CO., INC.,
D/B/A YADKIN VALLEY RAILROAD COMPANY
--ACQUISITION AND OPERATION EXEMPTION--
NORFOLK SOUTHERN RAILWAY COMPANY**

EXHIBIT B

CERTIFICATE OF REVENUE

CERTIFICATE OF REVENUE

In accordance with 49 C.F.R. § 1150.43(g), I do hereby certify that the revenue projected as a result of this transaction will not result in the creation of a class II or class I rail carrier.

A handwritten signature in cursive script, appearing to read "Ellen Oblow, CFO & Sr VP Admin".

Ellen Oblow
CFO and Sr. VP, Administration
Piedmont & Atlantic Railroad Co., Inc.,
d/b/a Yadkin Valley Railroad Company

Dated: October 8, 2009

SURFACE TRANSPORTATION BOARD

VERIFIED NOTICE OF EXEMPTION

STB FINANCE DOCKET NO. 35308

**PIEDMONT & ATLANTIC RAILROAD CO., INC.,
D/B/A YADKIN VALLEY RAILROAD COMPANY
--ACQUISITION AND OPERATION EXEMPTION--
NORFOLK SOUTHERN RAILWAY COMPANY**

Piedmont & Atlantic Railroad Co., Inc., d/b/a Yadkin Valley Railroad Company, a class III rail carrier, has filed a notice of exemption, pursuant to 49 C.F.R. § 1150.41, to acquire from Norfolk Southern Railway Company ("NS"), and to operate¹, the following rail lines which total approximately 93 route miles: (1) approximately from milepost K-37.0 at Rural Hall, Forsyth County, NC to milepost K-100.2 at North Wilkesboro, Wilkes County, NC, and (2) approximately from milepost CF-0.0 at Mount Airy, Surry County, NC to milepost CF-29.8 at Rural Hall, Forsyth County, NC.

Comments must be filed with the Surface Transportation Board, Office of the Secretary, 395 E Street, S.W., Washington, D.C. 20423-0001 and served on Rose-Michele Nardi, Esq., Weiner Brodsky Sidman Kider PC, 1300 19th Street, N.W., Fifth Floor, Washington, D.C. 20036-1609, (202) 628-2000.

This notice is filed under 49 C.F.R. § 1150.41. If the notice contains false or misleading information, the exemption is void *ab initio*. The filing of a petition to revoke will not automatically stay the transaction.


Decided:

By the Board,

¹ YVRR previously received regulatory authority to lease and operate over the same rail property that is the subject of this Verified Notice of Exemption. See Finance Docket No. 32462, *Piedmont & Atlantic Railroad Co., Inc. – Lease and Operation Exemption – L&S Holding Company d/b/a Laurinburg & Southern Railroad Co. and Yadkin Valley Railroad Company*

VERIFICATION

I, Ronald E. McKenzie, President of Piedmont & Atlantic Railroad Co., Inc., d/b/a Yadkin Valley Railroad Company, certify under penalty of perjury that the foregoing notice of exemption is true and correct to the best of my knowledge, information and belief. Further, I certify that I am qualified and authorized to file this Verified Notice of Exemption.


Ronald E. McKenzie, President
Piedmont & Atlantic Railroad Co., Inc.,
d/b/a Yadkin Valley Railroad Company

Dated: Oct 7, 2009